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Top News - Oil

Russia may cut oil output in response to price caps - deputy PM

Russia may cut oil output by 5%-7% in early 2023 as it responds to price caps on its crude and oil products by halting sales to the countries that support them, Deputy Prime Minister Alexander Novak told state television on Friday.

Detailing for the first time the Russian response to the price caps introduced by the West over Moscow's invasion of Ukraine, Novak said the cuts could amount to 500,000-700,000 barrels per day.

The European Union, G7 nations and Australia introduced a $60 per barrel price cap on Russian oil from Dec. 5, on top of the EU's embargo on imports of Russian crude by sea and similar pledges by the United States, Canada, Japan and Britain.

Russian President Vladimir Putin said on Thursday he would issue a decree early next week detailing Moscow's actions in response to the price cap.

Novak said the decree would ban sales of oil and oil products to countries that join the price cap and companies that demand its observance.

U.S. drillers add oil and gas rigs for first time in four weeks -Baker Hughes

U.S. energy firms this week added oil and natural gas rigs for the first time in four weeks, energy services firm Baker Hughes Co said in its closely-followed report on Thursday.

The oil and gas rig count, an early indicator of future output, rose by three to 779 in the week to Dec. 22.

Baker Hughes released the report a day early due to the upcoming Christmas holiday weekend.

Baker Hughes said that puts the total rig count up 193 rigs, or 33%, over this time last year.

U.S. oil rigs rose by two to 622 this week, while gas rigs rose one to 155.

U.S. oil futures were up about 3% so far this year after soaring 55% in 2021.

Even though several energy firms have boosted spending for a second year in a row in 2022 after cutting drilling and completion expenditures in 2019 and 2020, crude production has remained below record levels seen in 2019.

That's because many energy companies are focusing more on returning money to investors and paying down debt rather than boosting output.

In addition, analysts said some energy firms did not use this year's capital spending increase to boost production but instead spent the money on more expensive equipment and rising labor costs due to soaring inflation and supply disruptions.

U.S. crude production was on track to rise from 11.25 million barrels per day (bpd) in 2021 to 11.87 million bpd in 2022 and 12.34 million bpd in 2023, according to federal energy data. That compares with a record 12.32 million bpd in 2019.

Top News - Agriculture

Heavy rains forecast to bring first relief to Argentina's dry fields

Abundant rains will for the first time this cycle bring relief to Argentina's parched farming heartland in the coming days, the Buenos Aires Grain Exchange said on Thursday, as a historic drought has prevented many farmers from planting their fields.

The lack of rainfall in Argentina, the world's largest exporter of soybean oil and meal and the third-largest exporter of corn, is slowing the planting of the current soybean crop and has slashed forecasts for the country's wheat harvest.

Agricultural production in Argentina is being closely watched after Russia's invasion of Ukraine, key breadbasket nations, prompted a shortage of grains globally.

"The passage of a storm front will produce rain across most of the agricultural area, bringing effective relief for the first time this season," the exchange said in its weekly weather report, forecasting between 50 and 75 millimeters in rainfall.

It added that the rains would allow farmers to finish sowing 200,000 hectares of soybeans in the fertile Pampas plains.

Farmers have so far planted 60.6% of a planned 16.7 million hectares, putting them 12.6 percentage points behind their progress this time last year due to the dry soil, it said.

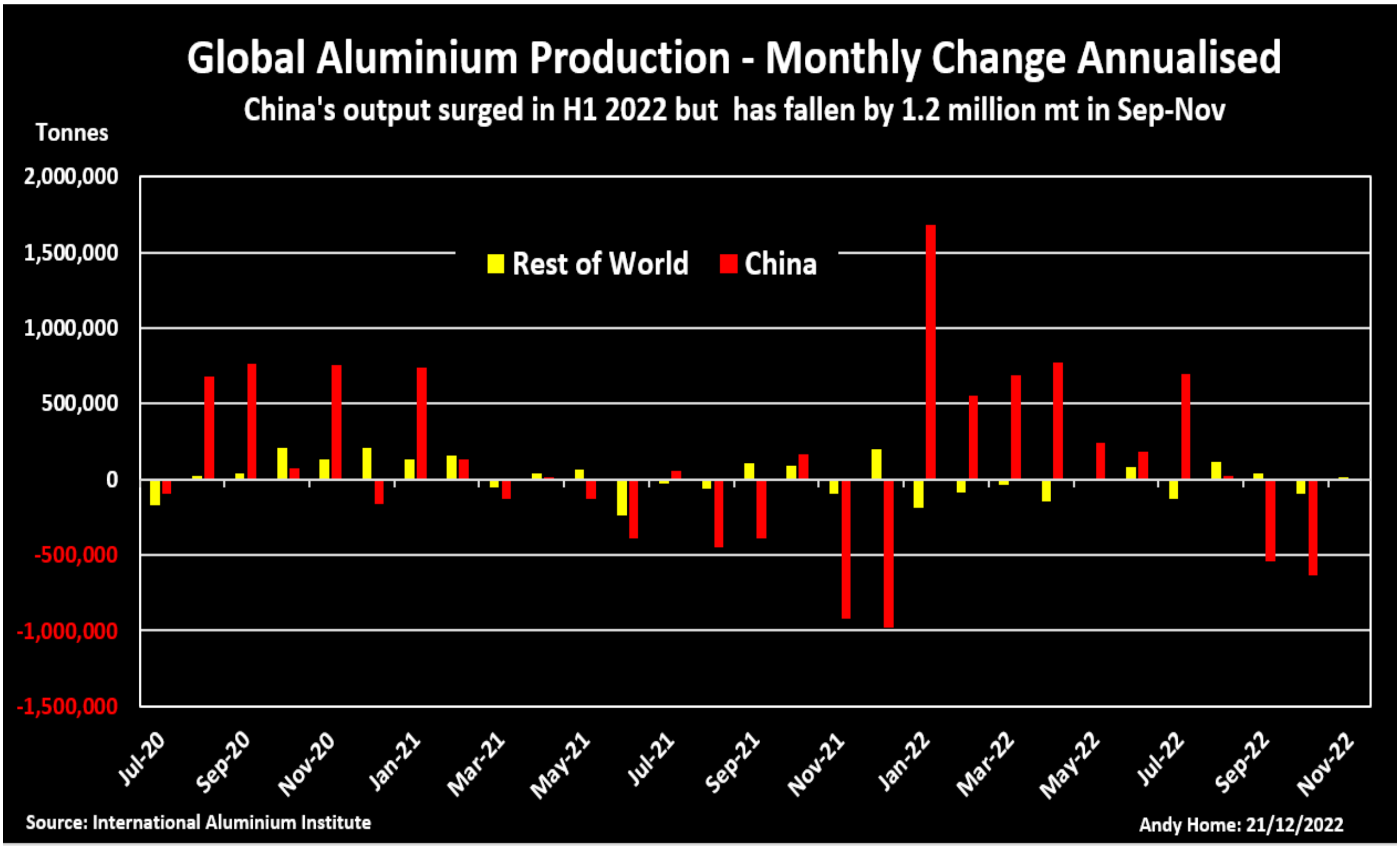
Corn planting for the 2022/23 cycle has meanwhile fallen 8.4 percentage points behind last year's level, with 51.8% of an estimated 7.3 million hectares sown.

The country's estimated 12.4 million tonne wheat harvest is meanwhile 78.3% complete, it added. Badly hit by the drought, this season's harvest is forecast to be just over half the 22.4 million tonnes produced in 2021/22.

Argentina is a key world supplier of wheat, which it ships mainly to Brazil and Indonesia.

India revises gas procurement rules for fertiliser firms to cut costs – sources
India has revised the gas procurement policy for fertiliser companies, allowing them to buy about a fifth of their monthly needs through the domestic spot market to help the government cut its subsidy bill, two government officials said.
The federal government provides financial support for domestic fertiliser sales at rates below the market to insulate farmers from high prices and to contain inflation.
The government expects to cut its fertiliser subsidy bill by up to 240 billion rupees if the fifth of companies' supplies is bought through bilateral contracts or gas exchange, said one of the government officials, who declined to be identified.
India, which imports up to 40% of the 50 million tonnes of fertiliser it needs annually, has been hit hard by rising prices after Russia's invasion of Ukraine disrupted supplies. Russia is a major fertiliser producer.
Early last month, Fertilisers Minister Mansukh Mandaviya said that due to higher global prices, India's fertiliser subsidy bill for the fiscal year would rise to a record 2.25 trillion rupees from about 1.5 trillion rupees the previous year.
"To help rein in the fertiliser subsidy bill for next fiscal, the fertiliser ministry is trying to rework the mechanism of how gas is procured by fertiliser plants," said a second government official, who also declined to be identified.
Both of the officials are directly involved in the issue but are not authorised to speak to media.
The government has amended 2015 gas procurement guidelines under which fertiliser plants had to procure 80% of their gas through long-term contracts, and the balance through three-month tenders, they said.
"Three-month prices are high as there is lot of padding and hedging by suppliers, more so since there is so much volatility in global gas prices," the first official said.
Under the revision, fertiliser companies will have to buy 40% of their supplies under a "take or pay" rule, in contrast to no minimum purchase required under the guidelines previously, the official added.
The fertiliser ministry did not immediately respond to a request for comment.
The "take and pay" rule led to shares of state-run fertiliser companies, National Fertilizers Ltd, Rashtriya Chemicals and Fertilizers Ltd, falling by 4% to 5% after the news, under performing the broader index.
Fertiliser plants can source gas through the Indian Gas Exchange and inter-company contracts. The new rule also allows fertiliser companies to withdraw tenders if they feel the bidding has led to higher-than-expected prices.

Chart of the Day



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An LSEG Business

Top News - Metals

Global Commodities Holdings to launch nickel trading platform as LME reels
UK-based Global Commodities Holdings (GCH) said on Thursday it would launch a spot trading platform for physically delivered nickel in the first quarter of 2023.
The move comes as the London Metal Exchange (LME), the dominant market for industrial metals, deals with a sharp decrease in nickel trading that has increased price volatility and undermined its ability to set a global reference price.
Activity in LME nickel dropped after the exchange was forced to suspend nickel trading and cancel trades in early March after prices doubled in a matter of hours due to what sources said was short covering by one of the world's top producers.
The suspension angered many in the market and led to lawsuits demanding hundreds of millions of dollars in compensation.
Global Commodities Holdings (GCH) is headed by Martin Abbott, a former chief executive of the LME.
"There is a dislocation in the price discovery process for spot nickel, with the weight of futures transactions being too heavy for the existing settlement process," Abbott said in a statement.
"There is a very strong argument for separating spot price discovery from futures market activity, allowing both functions to thrive."
GCH said its platform would allow members to trade class 1 nickel products and that it would use trading data to calculate a spot price index.
GCH subsidiary globalCOAL runs a coal trading platform and offers a coal index price.
Nickel is mainly used to make stainless steel but is also an important material for the electric vehicle industry, where it is used in the cathode component of batteries.

COLUMN- China draws in aluminium as domestic output shrinks: Andy Home
China's imports of primary aluminium jumped to a one-year high of 110,700 tonnes in November in a significant reversal of the recent trend.
The country flipped to net exporter in the first half of 2022, with primary metal shipped as far as Europe and the United States to capitalise on sky-high physical premiums.
The premiums are now much reduced. That for duty-unpaid in Europe collapsed from over $600 per tonne in May to a current $250 over the London Metal Exchange (LME) cash price.
While European smelter output declines under the weight of high energy prices, the region is also bracing for a recessionary hit to demand.
China appears to be taking up some of the slack as its own production momentum stalls just as the country tries to open up from quarantine and lockdown.

TRADE FLOWS FLIP AGAIN
China's primary aluminium export surge has passed. Outbound shipments totalled 190,000 tonnes in the first eight months of the year, the highest volume of exports since 2010.
Exports have since shrunk to 5,000 tonnes over the September-November period with high-volume shipments to Europe and the United States replaced by a trickle of material to African destinations.
Until last month, imports had been subdued relative to the previous couple of years and largely comprised Russian metal shunned by Western buyers after Russia's "special military operation" in Ukraine began in February.
Russian imports hit a fresh 2022 high of 56,000 tonnes in November but its share of imports dropped to 51% from 85% in June. The balance was sourced from a range of countries, suggesting more Chinese pull than Russian push.
It's worth noting that China's imports of unwrought aluminium alloy have remained consistently strong at around 100,000 tonnes per month since a structural shift higher in 2019.
The step change coincided with a slump in imports of aluminium scrap ahead of a planned ban in 2020. The ban was pulled at the last moment and replaced with tighter purity thresholds.
Scrap imports have since rebounded, up 60% so far this year, but without any impact on alloy flows.

SLOWING MOMENTUM
China's renewed import appetite for primary aluminium looks at odds with the combination of lockdown-weakened demand and strong domestic production growth.
Headline national output was up by 7.2% year-on-year in November with cumulative production up 3.1% in the first 11 months of 2022, the latest estimates by the International Aluminium Institute (IAI) showed.
However, the year-on-year comparison is accentuated by a low base in the closing months of 2021, when multiple producers were forced to reduce run-rates during a rolling energy crunch.
Expressed in terms of annualised production, China's collective run-rate has dropped by almost 1.2 million tonnes since August. That's not as much as the 2.0-million tonne decline in late 2021 but still a significant dissipation of the early-year production surge.
Energy is again the culprit.
Although there are no national blanket power restrictions over the winter heating season this year, provinces have delegated powers to manage their local power balances and the smelter hits have been mounting up.
Sichuan briefly rationed power to industrial users, including aluminium smelters, in August because of a protracted drought in the hydro-rich province.

The following month Yunnan ordered its smelters to reduce operating rates by 10% for the same reason, lifting the mandate to 20% in October.
Last month saw several smelters in Henan province reduce output by 10% on a combination of weak market conditions and pressure from local winter heating restrictions, according to consultancy AZ Global.
The seasonal power pressures have spread to the province of Guizhou this month with local smelters taking cuts of up to 31% of capacity, AZ Global reports.
Guizhou is a relatively small aluminium province with annual production of around one million tonnes but Yunnan is a growing hub of production on the basis of its green energy credentials.
Hongqiao, China's largest private operator, is undeterred by this year's power constraints and is moving more of its capacity there.
However, the concentration of smelters in Yunnan and Sichuan leaves China's domestic supply chain facing a new source of instability in the form of seasonal rainfall levels.

SHIFT TO SURPLUS
The scale of the cumulative production hit in China has been masked by impact of rolling lockdowns and a foundering property sector on domestic demand. The partial lifting of COVID-19 restrictions, although fraught with the danger of a wave of Omicron infections, is expected to revitalise Chinese growth over 2023.
Any recovery impetus will require an aluminium restock. Visible inventory on the Shanghai Futures Exchange has slumped by 71% since the start of January and at a current 92,373 tonnes is around the lowest levels since 2016.
It is too early to say if last month's jump in imports is an early sign of domestic recovery in the aluminium sector but it signals a shift in market flows.
The Western deficits earlier this year attracted significant volumes of metal from Asia, including China. The supply-chain tension has accordingly eased and the market focus has shifted to weakening demand and the potential for large amounts of aluminium to head to LME warehouses. The east-west pendulum is swinging back again and it's China that looks de-stocked and in need of some top-up metal from the spot market. How much will depend on how China's many provincial authorities balance their power systems over the next few winter months.

MARKET MONITOR as of 07:24 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$78.38 / bbl	1.15%	4.21%
NYMEX RBOB Gasoline	$2.27 / gallon	0.52%	2.11%
ICE Gas Oil	$888.50 / tonne	-0.73%	33.21%
NYMEX Natural Gas	$4.98 / mmBtu	-0.30%	33.62%
Spot Gold	$1,796.69 / ounce	0.23%	-1.73%
TRPC coal API 2 / Dec, 22	$225 / tonne	-3.85%	82.93%
Carbon ECX EUA / Dec, 24	€93.23 / tonne	-0.20%	14.29%
Dutch gas day-ahead (Pre. close)	€89.50 / Mwh	-5.39%	34.59%
CBOT Corn	$6.61 / bushel	0.08%	11.42%
CBOT Wheat	$7.67 / bushel	0.59%	-1.10%
Malaysia Palm Oil (3M)	RM3,833 / tonne	-1.67%	-18.39%
Index (Total Return)	**Close 22 Dec**	**Change**	**YTD Change**
Thomson Reuters/Jefferies CRB	296.59	-0.92%	20.07%
Rogers International	28.72	-0.09%	23.21%
U.S. Stocks - Dow	33,027.49	-1.05%	-9.11%
U.S. Dollar Index	104.43	0.26%	8.82%
U.S. Bond Index (DJ)	398.09	-0.01%	-15.66%

Top News - Carbon & Power

JPMorgan sets 2030 emissions targets for polluting industries

JPMorgan said on Thursday it had set targets to cut emissions tied to its finance and dealmaking in the iron and steel, cement and aviation sectors, as those emissions linked to oil and gas usage rose.

As the largest U.S. bank and major funder to the fossil fuel industry, investors and campaigners keenly watch JPMorgan's climate efforts as the world shifts to a low-carbon economy.

After releasing targets for oil and gas, electric power and autos in 2021, the new sector targets mean the bank now has plans to reduce emissions from all of the sectors most responsible for climate-damaging carbon emissions.

For iron and steel, the bank said it aims to cut emissions per tonne of crude steel produced by 31% by 2030. For cement it is targeting a 29% cut and for aviation a cut of 36%.

The bank said all the targets were in line with the International Energy Agency's Net Zero Emissions (NZE) scenario.

Lucie Pinson, director of non-profit Reclaim Finance, welcomed the targets, but said "the jury is still out" on their effectiveness, with mid-term targets not enough to get to net-zero emissions.

In a year marked by conflict in Ukraine and higher energy prices, CEO Jamie Dimon reiterated the need for energy security and the bank's support to the oil and gas industry.

"Constraining the flow of capital needed to produce and move fuels, especially as the war in Ukraine rages on, is a bad idea. The world still needs oil and natural gas today."

Updating on progress in the sector, the bank said while emissions tied to the operational performance of its clients was unchanged, those linked to the use of oil and gas had risen by 1% as of June 30, 2022. JPMorgan said the rise in emissions intensity - a measure of emissions per unit of output - was due to the bank's clients producing a higher portion of oil than natural gas products in 2020, when the latest emissions data was collected.

However, Reclaim Finance said the bank's update showed its oil and gas targets have "done nothing to change (the bank's) unwavering support for the sector's biggest fossil fuel developers."

Uniper says working with UAE's Masdar on hydrogen project

German utility Uniper on Thursday said it was involved in a project with the United Arab Emirates (UAE) clean energy company Masdar to produce green hydrogen, confirming a report on Bloomberg.

The Berlin government this week completed a 34.5 billion euro ($36.55 billion) bailout of Uniper, following European Commission approval, a nationalisation made necessary because of Uniper's exposure to surging gas prices following Russia's invasion of Ukraine.

The war has sharpened Germany's focus on security of supply and the use of green hydrogen produced using renewable energy that is compatible with European Union climate goals.

It expects to need imports to complement domestic production.

A spokesperson for the Duesseldorf-based firm said Uniper is actively involved in large-scale hydrogen projects in the Middle East, with a view to exporting hydrogen to Europe and Asian markets.

"The project in UAE with MASDAR has already seen impressive public support," the spokesperson said, adding Uniper declined to provide further detail at this stage.

The Bloomberg report said that Masdar and Uniper will build a 1.3 gigawatt (GW) solar plant from which they expect to produce clean hydrogen via electrolysis from 2026, citing an interview with Masdar's executive director for clean energy, Mohammad Abdelqadar El Ramahi.

Top News - Dry Freight

Rates to stay flat for Ukraine grain cargo insurance-Ascot

A cargo insurance facility providing cover for shipments via Ukraine's grain export corridor will continue next year with no rate increases, an underwriter with Lloyd's of London insurer Ascot said on Thursday.

Twenty-one insurers are part of the facility, which is led by Ascot and arranged by broker Marsh.

Ships entering the three Ukrainian ports that have been part of the U.N.-backed agreement are usually required by their banks to have various insurance policies in place, including hull and cargo war cover, which is renewed every seven days.

War and other insurance rates are generally expected to rise sharply across the board next year because of the conflict, natural catastrophes and high inflation.

"The ‘AsOne’ Black Sea facility will continue unabated with no planned increases to rating", Chris McGill, Ascot's head of cargo, told Reuters by email.

"This is against a supply-driven, rate-hardening environment in the marine war market."

Aviation and marine war insurers are concerned that reinsurers - who insure the insurers - will exclude the whole Ukraine, Russia and Belarus region when reinsurance contracts come up for renewal on Jan. 1.
But McGill said the cargo facility was set up in such a way that the insurers on the programme share the risk, without the need for reinsurance.

Iraq buys 150,000 tonnes of U.S and Australian wheat
Iraq has purchased 150,000 tonnes of wheat, its trade ministry said on Thursday. The purchase was comprised of 100,000 tonnes of Australian wheat and 50,000 tonnes of U.S. wheat, the ministry added.
European traders said the Australian wheat was believed to have been bought at an estimated $461 a tonne c&f, with trading house The Andersons believed to be the seller.
The U.S. wheat was said to have been bought at around $496 a tonne c&f, with trading house ADM believed to be the seller.
Traders had initially assessed on Wednesday that all of the wheat would be sourced from Australia.
The tender for a nominal 50,000 tonnes had closed on Dec. 18, seeking wheat sourced from the United States, Australia and/or Canada, they said.
Volumes in Iraq’s tenders are nominal and the country often buys more than sought in the tender.

Picture of the Day

People visit a sunflower field in Lopburi, Thailand, December 5. REUTERS/Athit Perawongmetha

(Inside Commodities is compiled by Sandhra Sam in Bengaluru)

For questions or comments about this report, contact: **commodity.briefs@thomsonreuters.com**

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